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Financial reports and audited financial statements, and reports of the Board of Auditors

Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly a letter dated 29 June 1999 from the Chairman of the Board of Auditors transmitting the report of the Board on implementation of its recommendations, submitted in accordance with General Assembly resolution 52/212 B of 31 March 1998.

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Annex

Letter dated 29 June 1999 from the Chairman of the Board of Auditors addressed to the Secretary-General

I have the honour to transmit to you the report of the Board of Auditors on implementation of its recommendations, submitted in accordance with paragraph 5 of General Assembly resolution 52/212 B of 31 March 1998 (see appendix).

(Signed) Osei Tutu **Prempeh**
Auditor General of Ghana
and Chairman
United Nations Board of Auditors

Appendix

Report of the Board of Auditors on implementation of its recommendations

I. Introduction

1. The General Assembly, in its resolution 52/212 B of 31 March 1998, accepted the recommendations of the Board of Auditors for improving implementation of its recommendations approved by the Assembly subject to the provisions contained in the resolution as noted in paragraph 2 below. The Board's proposals, which were transmitted to the General Assembly in a note by the Secretary-General (A/52/753) included the following main elements:

(a) The need for specification of timetables for implementation of recommendations;

(b) Disclosure of office holders to be held accountable;

(c) Establishment of an effective mechanism to strengthen oversight in regard to the implementation of audit recommendations. Such a mechanism could be either in the form of a special committee comprising senior officials or a focal point for audit and oversight matters;

(d) A change in reporting arrangements for submission of progress reports on implementation of recommendations which executive heads of United Nations organizations and programmes are required to submit to the General Assembly in accordance with its resolution 48/216 B of 23 December 1993. For uniformity and improved monitoring of the rate of implementation, the Board had suggested that all the progress reports be submitted to the Assembly on an annual basis. The Board undertook to examine these reports and submit a summary report to the General Assembly on the status of their implementation.

2. In resolution 52/212 B, the General Assembly emphasized that primary managerial responsibility and accountability for the implementation of the recommendations of the Board of Auditors should remain with department heads and programme managers. The Assembly also endorsed the proposals by the Board of Auditors that the format of progress reports on the implementation of recommendations should be improved to disclose the title or position of individual officers to be held accountable for implementation of the Board's recommendations (at the level of department head or programme manager, as appropriate) and explanations if recommendations are not implemented in full and on time.

3. The present comprehensive report covers those organizations on which the Board reports on a biennial basis and includes comments by the Board on the reports of the Secretary-General on the implementation of recommendations by the United Nations and its funds and programmes (A/54/140 and Add.1). Those programmes for which reports of the Board are already submitted annually (peacekeeping operations and voluntary funds administered by the Office of the United Nations High Commissioner for Refugees) are not included and are reported on, as before, in an annex to the respective report of the Board of Auditors to the General Assembly. The report addresses those recommendations that were not implemented, those recommendations that have been overtaken by events and therefore cannot be implemented and those recommendations that have been partially implemented. The report also includes comments of the Board on the status of implementation of audit recommendations by the United Nations Joint Staff Pension Fund, which was submitted directly to the Board.

4. The Board proposes to submit a comprehensive report on the implementation of its recommendations at the end of the first year of each biennium. To avoid duplication, the Board does not plan to submit such a report at the end of each biennium since the Board's comments on implementation of recommendations by individual organizations will be included as an annex to the respective reports.

II. General comments by the Board of Auditors

5. The Board examined the extent to which organizations had complied with the provisions of resolution 52/212 B as set out below.

1. The need for specification of timetables for implementation of recommendations

6. Out of the 13 organizations reporting on the implementation of the Board's recommendations, 10 had generally included timetables (the United Nations, the International Trade Centre (ITC), the United Nations University (UNU), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Environment Programme

(UNEP), the United Nations Population Fund (UNFPA), the United Nations Centre for Human Settlements (Habitat), the United Nations International Drug Control Programme (UNDCP) and the United Nations Office for Projects Services). Three organizations did not include timetables for the implementation of the majority of the recommendations, or, in some cases any of the recommendations made by the Board (the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Institute for Training and Research (UNITAR) and the United Nations Joint Staff Pension Fund).

2. Disclosure of office holders to be held accountable

7. Out of 13 organizations, seven (the United Nations, UNDP, UNRWA, UNITAR, UNFPA, Habitat and UNDCP) had identified office holders to be held accountable. ITC and UNICEF informed the Board that one officer was responsible for overseeing the implementation of recommendations. The other four organizations (UNU, UNEP, the United Nations Office for Projects Services and the United Nations Joint Staff Pension Fund) did not include this information in their report for the majority of the Board's recommendations.

3. Establishment of an effective mechanism to strengthen oversight

8. In general, organizations had established effective mechanisms to strengthen oversight with regard to the implementation of audit recommendations, for example, by establishing special committees or by including in the terms of reference of existing committees a requirement to monitor the implementation of the recommendations of the Board of Auditors.

III. Status of implementation of the recommendations of the Board of Auditors

9. In overall terms, the Board noted that of the 156 recommendations made in respect of the 13 organizations covered in the present report, 48 recommendations had been fully implemented, 100 had been partially implemented, 4 had not been implemented and in the remaining 4 cases the organizations had not been able to implement the recommendations as these had been overtaken by events. The position regarding the individual organizations is set out in the attachment to the present report.

10. The Board draws the attention of the General Assembly to the progress made by the United Nations and its funds and programmes in addressing the year 2000 issue, which threatens all information systems. For most of the organizations covered in the present report, the Board recommended action to strengthen preparedness for the year 2000 issue. Notwithstanding the good progress reported by some organizations (UNICEF, UNFPA, UNDCP, the United Nations Office for Projects Services and the United Nations Joint Staff Pension Fund), the Board encourages all the organizations to ensure that all of their systems are year 2000 compliant and fully tested and to develop appropriate contingency plans for continuing their operations in the event of systems breakdown.

A. United Nations (A/53/5, vol. 1, chap. II)[1]

Recommendations partially implemented

11. The Board notes that action is ongoing by the United Nations in respect of the following recommendations. The Board has included comments, where appropriate:

(a) **Recommendation, paragraph 9 (a)**. Address the deficiencies in hiring, granting remunerations and performance evaluation of experts and consultants (1990–1991 and 1994–1995);

(b) **Recommendation, paragraph 9 (b)**. Develop and implement a career development system (1992–1993);

(c) **Recommendation, paragraph 11 (a)**. Improve monitoring to ensure that final expenditures by each section and responsibility centre are as close as possible to the allotments issued for the biennium;

(d) **Recommendation, paragraph 11 (b)**. Integrate all accounting systems with the Integrated Management Information System (IMIS);

(e) **Recommendation, paragraph 11 (c)**. Modify Release 3 of IMIS to avoid the necessity of introducing substantial adjustments of accounts receivable and accounts payable outside IMIS; provide detailed information about debtor/creditor identity in respect of each item of accounts receivable and accounts payable; and enable the Organization to actively pursue recovery, especially in long-outstanding accounts;

(f) **Recommendation, paragraph 11 (d)**. Plan major maintenance work sufficiently in advance in order to avoid exigency contracts, to give adequate time for the

approval process, to obtain competitive bids and to have sufficient time to vet the background of the contractors and vendors;

Comment. The Administration has taken action to remind all officers of their obligation to undertake timely annual procurement planning.

(g) **Recommendation, paragraph 11 (e)**. Ensure that prospective bidders have sufficient time to respond;

(h) **Recommendation, paragraph 11 (f)**. Include guidelines for open tendering in the Procurement Manual and specify in the Manual the frequency at which the Supplier Review Committee should review the evaluation of potential suppliers;

(i) **Recommendation, paragraph 11 (h)**. Formulate and implement a strategy for career development without further delay;

(j) **Recommendation, paragraph 11 (j)**. Consider establishing a system whereby users of common services should be required to pay for such services on a cost-apportionment basis;

(k) **Recommendation, paragraph 11 (k)**. Request the United Nations offices at Geneva and Vienna to adopt the set of key performance indicators proposed by the Secretary-General for conference services and to develop performance indicators to cover other services;

(l) **Recommendation, paragraph 11 (l)**. Establish the conference centres of the Economic Commission for Africa (ECA) and the Economic and Social Commission for Asia and the Pacific (ESCAP) as separate cost centres, with all costs associated with their operation apportioned to them for more accurate determination of their profitability;

(m) **Recommendation, paragraph 11 (m)**. Monitor and accelerate the pace of preparedness for managing the year 2000 issue; completely test for compliance all systems, including those that are considered year 2000 compliant because of their recent development, with sufficient lead time to address any deficiencies, to avoid any surprise at the turn of the century; formally test IMIS for year 2000 compliance; and formulate contingency plans for all critical systems;

Comment. The Board has noted the establishment of a year 2000 management group to provide policy guidance. The Board encourages the United Nations to ensure that all of its systems are year 2000 compliant and fully tested and to develop appropriate contingency plans for continuing its operations in the event of systems breakdown.

(n) **Recommendation, paragraph 23**. Consider further the recommendation from the biennium 1994–1995 that the budget performance reports presented to the General Assembly be modified to reflect the actual expenditures and projections closer to the end of the biennium in the context of IMIS Release 3;

(o) **Recommendation, paragraph 48**. United Nations Headquarters should review the level of supporting information provided with inter-office vouchers to ensure that sufficient details are included to enable the transactions to be verified and properly recorded; United Nations Headquarters and the United Nations Office at Geneva should monitor and reconcile the inter-office vouchers on a more regular basis so that by the end of a given financial period such transactions are properly reflected in the accounts; and financial statements should show the inter-office vouchers in gross terms, properly classified as transactions awaiting processing;

(p) **Recommendation, paragraph 63**. ECA and the United Nations Office at Nairobi should ensure that bank reconciliations are brought up to date and that non-reconciling items are promptly investigated for the necessary adjustments to be made in the accounts;

(q) **Recommendation, paragraph 89**. Ensure that the reasons for advance payment are recorded on contracts at the United Nations Office at Nairobi;

(r) **Recommendation, paragraph 98**. Make efforts to recover the taxes improperly paid and make further attempts to resolve the issue of the tax payment on purchases with the national Government;

(s) **Recommendation, paragraph 144**. The United Nations Office at Geneva and the United Nations Office at Vienna should record actions taken in the recruitment or appointment of staff so that delays can be identified, causes analysed and appropriate remedial action taken;

Comment. The Board notes that the Integrated Management Information System will provide for a recruitment and tracking system, which is expected to be implemented by 30 June 1999.

(t) **Recommendation, paragraph 224**. UNCTAD should introduce allotment procedures for its trust fund projects.

12. The Board will continue to monitor the progress of implementation of these recommendations.

B. International Trade Centre UNCTAD/WTO (A/53/5, vol. III, chap. II)[2]

Recommendations not implemented

13. **Recommendation, paragraph 10 (a)**. In liaison with United Nations Headquarters, ITC should review the accounting treatment of deferred charges and deferred income to ensure that it is consistent with best accounting practice.

Comment. ITC has not commented on this recommendation. The Board has raised this matter with United Nations Headquarters, which has agreed to take this review forward.

14. **Recommendation, paragraph 10 (d)**. ITC should ensure that, as part of project design, suitable arrangements are made to collect basic data to help facilitate future assessments of project impact.

Comment. The Board accepts that it is difficult for ITC to isolate the impact of its projects; however, the Board encourages ITC to establish a framework at the design stage for assessing the impact of projects. The Board plans to review the position further as part of its review of the ITC Common Trust Fund.

Recommendations partially implemented

15. The Board notes that action is ongoing by ITC in respect of the following recommendations. The Board has included comments, where appropriate:

(a) **Recommendation, paragraph 10 (c)**. Ensure that project documents are of a consistent standard, supported by assessments of needs and incorporating frameworks to facilitate effective monitoring and evaluation;

(b) **Recommendation, paragraph 10 (e)**. Develop, as a priority, corporate performance indicators and a system through which achievements could be recorded and aggregated to provide an annual assessment of impact;

(c) **Recommendation, paragraph 10 (g)**. Improve its planning and prioritization of research and development work, adopt a more prudent approach and strengthen its management of contractors to assure timely delivery of outputs;

(d) **Recommendation, paragraph 10 (h)**. ITC should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies.

Comment. The Board encourages ITC to ensure that its systems are year 2000 compliant and fully tested before the end of 1999, and to develop appropriate contingency plans for continuing its operations in the event of system breakdown.

16. The Board will continue to monitor the progress of implementation of these recommendations.

C. United Nations University (A/53/5, vol. IV, chap. II)[3]

Recommendation not implemented

17. **Recommendation, paragraph 9 (f)**. UNU should continue to explore ways to increase income through utilization of the UNU headquarters building and examine ways of reducing the expenditure on the operation and maintenance of the building.

Comment. The Board acknowledges the constraints that UNU faces and encourages the University to continue its efforts to explore the possibility of increasing its income, for example, by finding suitable tenants to take up accommodation in the headquarters building. The Board also encourages UNU to make further efforts to reduce expenditure on the operation and maintenance of the building.

Recommendation overtaken by events

18. **Recommendation, paragraph 9 (b)**. UNU should intensify its efforts to attract the desired level of income.

Comment. The Board encourages UNU to monitor developments to ensure that, should the need arise for new activities, it would be in a position to attract the desired level of income.

Recommendations partially implemented

19. The Board notes that action is ongoing by UNU in respect of the following recommendations. The Board has included comments, where appropriate:

(a) **Recommendation, paragraph 9 (a)**. Either make a full provision for liabilities for end-of-service benefits, post-retirement benefits and annual leave or make an appropriate disclosure in the notes to the financial statements;

(b) **Recommendation, paragraph 9 (c)**. Establish a time-bound strategy and action plan to improve the

representation of consultants and experts from developing countries, in line with the charter of the University;

(c) **Recommendation, paragraph 9 (d)**. Reassess the need for the two long-outstanding consultancy assignments and, if appropriate, take action to recover the advances paid;

(d) **Recommendation, paragraph 9 (e)**. Review the optimum staffing requirement with reference to the activities of the University and make efforts to fill the vacancies.

Comment. The Board has noted that some of the key vacant posts have been filled in 1998 and understands that UNU proposes to fill the other Professional posts during the second half of 1999.

20. The Board will continue to monitor the progress of implementation of these recommendations.

D. United Nations Development Programme (A/53/5/Add.1, chap. II)[4]

Recommendation not implemented

21. **Recommendation, paragraph 10 (d)**. UNDP should examine the scope for reducing the extent to which agencies are funded in advance, and where possible move to a system of reimbursing actual expenditure, thereby reducing cash flow risks and improving financial control.

Comment. The Board notes the conclusion by UNDP that there is no scope for agencies to pre-finance UNDP programme activities. The Board will continue to monitor the level of advances held by agencies to ensure that the advances do not exceed reasonable requirements as defined by UNDP.

Recommendations partially implemented

22. The Board notes that action is ongoing by UNDP in respect of the following recommendations. The Board has included comments, where appropriate:

(a) **Recommendation, paragraph 10 (a)**. Establish clear separation of duties between requisitioning, receipt of goods and maintenance of inventory records;

(b) **Recommendation, paragraph 10 (b)**. Take action to amend UNDP financial regulations to require exchange losses to be charged as expenditure, as implied by United Nations Accounting Standards, paragraph 29, and in line with practice adopted by United Nations Headquarters;

(c) **Recommendation, paragraph 10 (f)**. Reassert current policy with regard to seeking rent-free office accommodation for field offices;

(d) **Recommendation, paragraph 10 (g)**. Prepare a forward plan for maintenance and alterations work to the premises it occupies;

(e) **Recommendation, paragraph 10 (h)**. Collect and analyse energy cost and consumption data for premises, in order to facilitate comparisons and to identify wastage and excessive costs;

(f) **Recommendation, paragraph 10 (i)**. Standardize UNDP procedures for investment appraisal of information technology projects to take full account of financial and non-financial benefits as well as operational requirements;

(g) **Recommendation, paragraph 10 (j)**. Ensure that all systems are tested for year 2000 compliance with sufficient lead time to correct any deficiencies;

Comment. The Board encourages UNDP to ensure that its systems are year 2000 compliant and fully tested before the end of 1999, and to develop appropriate plans for continuing its operations in the event of systems breakdown.

(h) **Recommendation, paragraph 10 (k)**. Assess the financial and non-financial benefits expected to flow from its change management programme and use this assessment to carry out a full investment appraisal of the change initiative;

(i) **Recommendation, paragraph 10 (l)**. Develop appropriate performance indicators and measures to assess specific change implementation activities, relating these directly to the main objectives of the change process;

(j) **Recommendation, paragraph 89**. Establish organization-wide standards for space occupancy, with standards flexed to take account of job function within grade;

(k) **Recommendation, paragraph 100**. Ensure that project status reports include summaries of project expenditure against lifetime and biennial budgets;

(l) **Recommendation, paragraph 103**. Encourage country offices to begin operating the budget module at the earliest opportunity;

(m) **Recommendation, paragraph 135**. Establish clear arrangements for funding the full costs of the change management initiative.

23. The Board will continue to monitor the progress of implementation of these recommendations.

E. United Nations Children's Fund (A/53/5/Add.2)[5]

Recommendations overtaken by events

24. **Recommendation, paragraph 11 (d)**. UNICEF should seek retrospective approval for the four projects added without the Executive Board's authorization.

Comment. The Board accepts that the approval of the Executive Board is no longer required.

25. **Recommendation, paragraph 11 (k)**. The Administration should take appropriate steps to establish responsibility with a view to covering the loss incurred by UNICEF as a result of fraudulently recorded transactions in a field office in the amount of $445,000.

Comment. The Board notes that, based on legal advice, UNICEF decided against pursuing action because of the low likelihood that there would be any financial recovery.

Recommendations partially implemented

26. The Board notes that action is ongoing by UNICEF in respect of the following recommendations. The Board has included comments, where appropriate:

(a) **Recommendation, paragraph 11 (a)**. Strengthen the oversight responsibilities on the review of liquidation statements in respect of cash assistance to Governments to ensure that they are properly supported with complete details;

(b) **Recommendation, paragraph 11 (b)**. Expand and intensify fund-raising activities, particularly in the area of general resources, and strengthen the monitoring and control of expenditures;

(c) **Recommendation, paragraph 11 (c)**. Strengthen its efforts to obtain formal receipts from Governments as evidence that supplies and equipment have been received;

(d) **Recommendation, paragraph 11 (e)**. Ensure that all systems are tested for year 2000 compliance with sufficient lead time to address any deficiencies;

Comment. The Board notes that UNICEF has scheduled a year 2000 simulation exercise for June 1999 which would involve headquarters and selected regional and field offices. The Board encourages UNICEF to ensure that all of its systems are year 2000 compliant and fully tested before the end of 1999, and to develop appropriate contingency plans for continuing its operations in the event of systems breakdown.

(e) **Recommendation, paragraph 11 (f)**. Ensure that recruitment of consultants fully complies with established rules and procedures;

(f) **Recommendation, paragraph 11 (g)**. Develop, in order to improve the financial performance of the greeting card and related operations, new marketing, advocacy and sales promotional strategies in order to increase the volume of product sales and also increase fund raising;

(g) **Recommendation, paragraph 11 (h)**. Establish a more frequent interval for the transfer of sales proceeds to UNICEF by the National Committees to improve the recovery rates of sales proceeds;

(h) **Recommendation, paragraph 11 (i)**. Ensure that all National Committees comply with the cash accounting reporting requirements.

27. The Board will continue to monitor the progress of implementation of these recommendations.

F. United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/53/5/Add. 3, chap. II)[6]

Recommendations partially implemented

28. The Board notes that action is ongoing by UNRWA in respect of the following recommendations. The Board has included comments, where appropriate:

(a) **Recommendation, paragraph 8 (a)**. Allotments for specific purposes should only be issued after sufficient contributions have been received from donors;

(b) **Recommendation, paragraph 8 (d)**. The Agency should review its fund-raising strategies and closely monitor its donor agreements and contract award procedures;

Comment. The Board acknowledges the efforts of the Administration towards the reduction of operating and overhead costs while concurrently soliciting the support of donors to provide services to the Palestinian refugees. The Board will, in its future audits, review the effectiveness of the ongoing review of the contract award procedures.

(c) **Recommendation, paragraph 8 (e)**. The Project Monitoring Unit should be equipped with the required resources for more effective monitoring of UNRWA projects;

(d) **Recommendation, paragraph 8 (f)**. Take steps to recover the amounts outstanding from donors and reimburse the General Fund from the amount of $11.2 million spent on the Gaza Hospital project;

(e) **Recommendation, paragraph 41**. The Administration should comply fully with the established instruction that before projects are accepted the necessary land permits should be obtained;

(f) **Recommendation, paragraph 57**. The selection and award of contract procedures should be refined by constantly updating the vendor register to ensure that only competent contractors are considered for UNRWA projects. Also, the Administration should closely supervise its contracts to ensure that contractors' work meets the required standards, that cost and time over-runs are avoided and that the clause on liquidation damages is strictly enforced;

(g) **Recommendation, paragraph 61**. A decision should be made by the Provident Fund on investments with the countries that do not grant tax exemption to the Fund. Also, more effective measures should be undertaken to recover the outstanding taxes withheld from the Fund;

(h) **Recommendation, paragraph 63**. The Audit Manual should be revised to take account of the changes in the Agency's operations;

Comment. The Board notes that the revision of the Audit Manual is in progress and trusts that this will be completed without delay.

(i) **Recommendation, paragraph 66**. In order to improve the efficiency of the Internal Audit, UNRWA should make budgetary provision for enhancing training of its Internal Audit staff;

(j) **Recommendation, paragraph 69**. Ensure that all systems are tested for year 2000 compliance, with sufficient lead-time to address any deficiencies.

Comment. The Board encourages UNRWA to ensure that its systems are year 2000 compliant and fully tested before the end of 1999 and to develop appropriate contingency plans for continuing its operations in the event of systems breakdown.

29. The Board will continue to monitor the progress of implementation of these recommendations.

G. United Nations Institute for Training and Research (A/53/5/Add.4, chap. II)[7]

Recommendations partially implemented

30. The Board notes that action is ongoing by UNITAR in respect of the following recommendations:

(a) **Recommendation, paragraph 10 (b)**. Take action to clear inter-office vouchers identified as outstanding in the year-end reconciliation between UNDP and UNITAR accounting records;

(b) **Recommendation, paragraph 10 (d)**. Seek clarification of the regularity of the planned promotion procedures from the Office of Legal Affairs before implementation;

(c) **Recommendation, paragraph 10 (e)**. Document the staff performance assessment procedures to ensure transparency;

(d) **Recommendation, paragraph 10 (f)**. Review its procurement operations in the light of the new procurement practices to be introduced by the United Nations Office at Geneva.

31. The Board will continue to monitor the progress of implementation of these recommendations.

H. Fund of the United Nations Environment Programme (A/53/5/Add.6, chap. II)[8]

Recommendation overtaken by events

32. **Recommendation, paragraph 12 (h)**. Review the project management report sheet and include the specific outputs in it, in addition to ensuring it is updated on an ongoing basis to serve as an effective project management instrument.

Comment. UNEP considers that all the expected and received reports are listed in the project management report sheet and that alternative mechanisms are in place for collecting comprehensive information on the life of the project to meet evaluation and report requirements, including specific outputs. UNEP has therefore concluded that there is no need to include specific outputs in these reports. The Board will review these alternative records to ensure that the objectives of the recommendation are achieved.

Recommendations partially implemented

33. The Board notes that action is ongoing by UNEP in respect of the following recommendations. The Board has included comments, where appropriate:

(a) **Recommendation, paragraph 12 (b)**. Review all the unpaid pledges under the different funds and make appropriate provision in the accounts where the collection of the income is considered doubtful;

Comment. The Board will follow up with UNEP as to the appropriate responsibility for approving the provision for and write-off of unpaid pledges.

(b) **Recommendation, paragraph 12 (c)**. Continue efforts to ensure that executing agencies that are required to provide audit certificates in respect of monies released from the Environment Fund do so soon after the end of the financial period;

(c) **Recommendation, paragraph 12 (d)**. Establish a system of periodic review of accounts receivable to recover and/or adjust the items;

(d) **Recommendation, paragraph 12 (e)**. Reconcile all long-outstanding inter-office vouchers as early as possible and adhere to the system of monthly reconciliation of inter-office vouchers in consultation with United Nations Headquarters;

(e) **Recommendation, paragraph 61**. Ensure that the procedures for taking action on the decisions of the Property Survey Board are adhered to and monitor compliance of exceptions.

34. The Board will continue to monitor the progress of implementation of these recommendations.

I. United Nations Population Fund (A/53/5/Add.7), chap. II)[9]

Recommendations partially implemented

35. The Board notes that action is ongoing by UNFPA in respect of the following recommendations. The Board has included comments, where appropriate:

(a) **Recommendation, paragraph 7 (a)**. The UNFPA Policies and Procedures Manual should be updated;

(b) **Recommendation, paragraph 9 (a)**. Show the value of contributions-in-kind in a note to the financial statements;

(c) **Recommendation, paragraph 9 (c)**. Amend the financial regulations to require exchange losses, other than those arising from voluntary contributions, to be charged as expenditure, in line with the practice adopted by United Nations Headquarters;

(d) **Recommendation, paragraph 9 (f)**. Negotiate with Governments either to provide free premises or to make a contribution towards accommodation costs;

(e) **Recommendation, paragraph 9 (h)**. Undertake a comprehensive staff review, including an examination of the relationship between headquarters and field offices, to ensure that there is an appropriate balance between decentralization and control, and that sufficient support is available to field offices;

(f) **Recommendation, paragraph 9 (k)**. Ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies;

Comment. The Board welcomes assurances by UNFPA regarding its state of preparedness for the year 2000 issue. The Board encourages UNFPA to ensure that all of its systems are year 2000 compliant and fully tested before the end of 1999 and to develop appropriate contingency plans for continuing its operations in the event of systems breakdown.

(g) **Recommendation, paragraph 26**. Take action to recover overdue travel advances, including, where appropriate, recovery action from salary where travel claims have not been submitted within two weeks of actual travel, as required under the UNFPA regulations;

(h) **Recommendation, paragraph 73**. Establish standards and guidelines for premises-related expenditure and monitor out-turn to identify inconsistencies and deviations from standards;

(i) **Recommendation, paragraph 94**. Carry out a field capacity study to assess whether country offices are appropriately staffed.

36. The Board will continue to monitor the progress of implementation of these recommendations.

J. United Nations Habitat and Human Settlements Foundation (A/53/5/Add.8, chap. II)[10]

Recommendations partially implemented

37. The Board notes that action is ongoing by Habitat in respect of the following recommendations. The Board has included comments, where appropriate:

(a) **Recommendation, paragraph 11 (a)**. Prepare the financial statements in conformity with the United Nations Accounting Standards;

(b) **Recommendation, paragraph 11 (c)**. Review the basis of its fund-raising strategy, with the aim of increasing the quantum of contributions, especially those that are not earmarked.

Comment. The Administration has informed the Board that action taken has improved donors' confidence, and that a new structure was being formulated that would have a resource mobilization unit for devising fund-raising strategies. The Board noted that the unit is yet to be established.

38. The Board will continue to monitor the progress of implementation of these recommendations.

K. Fund of the United Nations International Drug Control Programme (A/53/5/Add.9, chap. II)[11]

Recommendations partially implemented

39. The Board notes that action is ongoing by UNDCP in respect of the following recommendations. The Board has included comments as appropriate:

(a) **Recommendation, paragraph 7**. Review and simplify its financial accounting arrangements;

(b) **Recommendation, paragraph 9 (b)**. Complete and promulgate guidelines on drug control policy as a matter of priority;

(c) **Recommendation, paragraph 9 (c)**. Strengthen project documents by systematically incorporating baselines, targets and monitoring and evaluation frameworks;

(d) **Recommendation, paragraph 9 (d)**. Carry out a thorough appraisal of the scale of the drug problem to be addressed and the cost-benefit of project proposals before projects are approved;

(e) **Recommendation, paragraph 9 (e)**. Initiate *ex post facto* evaluations of projects, where appropriate, to obtain a more reliable assessment of the sustained impact of projects some years after activities have been completed;

(f) **Recommendation, paragraph 9 (f)**. Complete the curricula and training materials for the intermediate and advanced courses in contemporary drug-abuse control policy as a matter of priority, develop a training plan, with clearly defined responsibilities and a timetable, and take action to secure the necessary financial resources;

(g) **Recommendation, paragraph 9 (g)**. Ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies;

Comment. The Board notes the progress made in carrying out an inventory of systems, assessing them for year 2000 compliance and converting the corporate information system. The Board encourages UNDCP to ensure that its systems are year 2000 compliant and fully tested before the end of 1999 and to develop appropriate contingency plans for continuing its operations in the event of systems breakdown.

(h) **Recommendation, paragraph 32**. Ensure that programme frameworks are prepared on a timely basis and that clearer assessments of national legislation and government capacities, and financial estimates and lessons learned, are incorporated in the programmes;

(i) **Recommendation, paragraph 48**. Adopt a more prudent approach in the planning of projects, ensuring that projects have realistic start dates and duration, and sound procurement planning, financial resources and execution arrangements;

(j) **Recommendation, paragraph 60**. Review needs for additional support from external organizations with expertise in drug-related issues, identify the institutions that are best placed to meet requirements and develop relevant agreements with them;

(k) **Recommendation, paragraph 66**. UNDCP should:

(i) Classify individual consultants according to a smaller number of key disciplines that would be helpful for the staff expected to use the roster;

(ii) Promote and support the use of the roster by ensuring that it is regularly maintained and updated;

(iii) Undertake periodic analyses of those areas of specialization most in demand to help identify shortfalls and initiate action to address them in advance of possible project assignments;

(l) **Recommendation, paragraph 69**. Improve the transparency of its evaluations of consultants' performance and:

(i) Introduce a standard evaluation form to document performance assessments for all consultants, covering the extent to which they met deadlines, budgets and objectives;

(ii) Ensure that evaluations are carried out consistently and in a timely manner at the end of consultants' assignments;

(m) **Recommendation, paragraph 70**. Record the results of evaluations on the central roster to ensure that they are accessible to Programme staff.

40. The Board will continue to monitor the progress of implementation of these recommendations.

L. United Nations Office for Project Services (A/53/5/Add. 10, chap. II)[12]

Recommendation partially implemented

41. The Board notes that action is ongoing by the United Nations Office for Project Services in respect of the following recommendations. The Board has included comments, where appropriate:

(a) **Recommendation, paragraph 9 (f)**. Ensure that there is a complete, up-to-date, annual appraisal for every staff member and that a central record is maintained of the staff appraisals;

(b) **Recommendation, paragraph 9 (g)**. Identify the shortcomings of the present financial reports, establish the key information required and decide on the form and frequency of the reports;

(c) **Recommendation, paragraph 9 (h)**. Ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies.

Comment. The Board welcomes the Office's assurance regarding its state of preparedness. The Board encourages the Office to ensure that its systems are year 2000 compliant and fully tested before the end of 1999 and develop appropriate contingency plans for continuing its operations in the event of systems breakdown.

42. The Board will continue to monitor the progress of implementation of these recommendations.

M. United Nations Joint Staff Pension Fund (A/53/9, annex III)[13]

Recommendations partially implemented

43. The Board notes that action is ongoing by the United Nations Joint Staff Pension Fund in respect of the following recommendations. The Board has included comments, where appropriate:

(a) **Recommendation, paragraph 9 (a)**. Investigate all cases of overpayment to beneficiaries, and where it has established that a staff member should bear personal responsibility for loss, as a result of any negligence, the Administration should take recovery action, as appropriate;

(b) **Recommendation, paragraph 9 (b)**. The Investments Management Service should review the contracts with the Fund's custodians with a view to providing adequate insurance coverage for the Fund's assets held by the custodians or under their control;

(c) **Recommendation, paragraph 9 (c)**. Arrange the cashier's functions to facilitate the operation of sound internal check. Also, with the increasing volume of work at the Geneva office, duties should be segregated for more effective control over payments;

(d) **Recommendation, paragraph 9 (d)**. Consider the procurement of suitable equipment to assist the codifiers in the verification of signatures and thumbprints. In addition, the codifiers should be provided with training to enhance their efficiency;

(e) **Recommendation, paragraph 9 (e)**. Ensure that all systems are tested for year 2000 compliance, with sufficient lead-time to address any deficiencies.

Comment. The Board welcomes the action taken by the Fund to address the year 2000 issue. The Board encourages the Fund to ensure that all of its systems are year 2000 compliant and fully tested before the end of 1999 and to develop appropriate contingency plans for continuing its operations in the event of systems breakdown.

44. The Board will continue to monitor the progress of implementation of these recommendations.

IV. Acknowledgement

45. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the Secretary-General, the executive heads of United Nations funds and programmes and the Chief Executive Officer of

the United Nations Joint Staff Pension Fund, their officers and staff.

(*Signed*) Osei Tutu **Prempeh**
Auditor-General of Ghana

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General of the
United Kingdom of Great Britain
and Northern Ireland

(*Signed*) Vijay Krishna **Shunglu**
Comptroller and Auditor General of India

Notes

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. I, chap. II.

[2] Ibid., *Supplement No. 5* (A/53/5), vol. III, chap. II.

[3] Ibid., *Supplement No. 5* (A/53/5), vol. IV, chap. II.

[4] Ibid., *Supplement No. 5A* (A/53/5/Add.1), chap. II.

[5] Ibid., *Supplement No. 5B* (A/53/5/Add.2), chap. II.

[6] Ibid., *Supplement No. 5C* (A/53/5/Add.3), chap. II.

[7] Ibid., *Supplement No. 5D* (A/53/5/Add.4), chap. II.

[8] Ibid., *Supplement No. 5F* (A/53/5/Add.6), chap. II.

[9] Ibid., *Supplement No. 5G* (A/53/5/Add.7), chap. II.

[10] Ibid., *Supplement No. 5H* (A/53/5/Add.8), chap. II.

[11] Ibid., *Supplement No. 5I* (A/53/5/Add.9), chap. II.

[12] Ibid., *Supplement No. 5J* (A/53/5/Add.10), chap. II.

[13] Ibid., *Supplement No. 9* (A/53/9), annex III.

Annex

Status of implementation of recommendations of the Board of Auditors

	Implemented	*Partially implemented*	*Not implemented*	*Overtaken by events*	*Total*
UN	5	20	–	–	25
ITC	4	4	2	–	10
UNU	–	4	1	1	6
UNDP	7	13	1	–	21
UNICEF	1	8	–	2	11
UNRWA	3	10	–	–	13
UNITAR	2	4	–	–	6
UNEP	3	5	–	1	9
UNFPA	7	9	–	–	16
UNHHSF	7	2	–	–	9
UNDCP	2	13	–	–	15
UNOPS	7	3	–	–	10
UNJSPF	–	5	–	–	5
Total	**48**	**100**	**4**	**4**	**156**